

Northern Pipeline Agency

2016–17

Report on Plans and Priorities

The Honourable Jim Carr, P.C., M.P.
Minister of Natural Resources Canada

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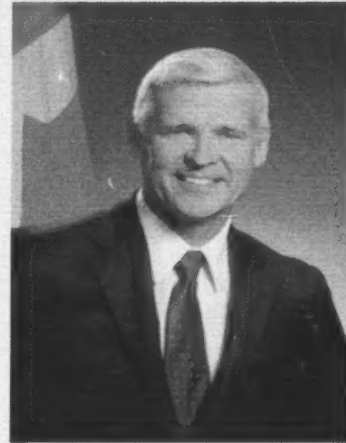
Table of Contents

Commissioner's Message	1
Section I: Organizational Expenditure Overview	3
Organizational Profile.....	3
Organizational Context	3
Planned Expenditures	7
Alignment of Spending with the Whole of Government Framework	8
Departmental Spending Trend.....	9
Estimates by Vote	9
Section II: Analysis of Program(s) by Strategic Outcome.....	11
Strategic Outcome	11
Program	11
Internal Services.....	12
Section III: Supplementary Information.....	15
Future-Oriented Condensed Statement of Operations	15
Supplementary Information Tables	16
Tax Expenditures and Evaluations	16
Section IV: Organizational Contact Information.....	17
Appendix: Definitions	18
Endnotes	21

Commissioner's Message

It is my pleasure to present the *2016-17 Report on Plans and Priorities* for the Northern Pipeline Agency (the Agency).

The Agency was established by the *Northern Pipeline Act* (Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP) project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States as provided for by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline*.



The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas to commercial markets. Unfavourable economic conditions have led to several delays in the completion of the northern portion of the pipeline.

In 2008, TransCanada PipeLines Limited (TransCanada), which now owns Foothills, was selected by the State of Alaska to pursue a large-scale pipeline project that would transport natural gas in a large diameter buried pipeline from Prudhoe Bay, Alaska to Boundary Lake, Alberta using the northern portion of the AHGP project. However, TransCanada notified the Agency in February 2013 that no further work is planned on the AHGP for now and will await further commercial interest before recommencing its efforts.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level while continuing to fulfill Canada's ongoing obligations as set out in the Act. During this time, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public.

Bob Hamilton
Commissioner

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: The Honourable Jim Carr, P.C., M.P.

Institutional Head: Bob Hamilton

Ministerial Portfolio: Natural Resources Canada

Enabling Instrument: *Northern Pipeline Act*ⁱ (the Act)

Year of Incorporation/Commencement: 1978

Other: The operating costs of the Northern Pipeline Agency (the NPA or Agency) to carry out federal responsibilities for the planning and construction of the Alaska Highway Natural Gas Pipeline (AHGP) project are fully recovered from the project proponent, Foothills Pipe Line Limited (Foothills). Foothills is now fully owned by TransCanada PipeLines Limited (TransCanada).

Organizational Context

Raison d'être

The Northern Pipeline Agency (NPA) was established by the *Northern Pipeline Act* in 1978 and, in the context of the 1977 *Agreement Between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline*. NPA has a mandate to carry out federal responsibilities in respect of the planning and construction of the Canadian portion of the Alaska Natural Gas Pipeline. The NPA plays a key role in supporting efficient and expeditious regulatory approval while ensuring environmental protection and social and economic benefits for Canada.

Responsibilities

The Agency was created by the Act in 1978 to:

- facilitate the efficient and expeditious planning and construction of the Canadian portion of the AHGP project, taking into account local and regional interests, the interests of the residents, particularly of Indigenous Peoples, and recognizing the

responsibilities of the Government of Canada and other governments, as appropriate;

- facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- advance national economic and energy interests and maximize related industrial benefits.

The Agency was responsible for the regulatory oversight of the construction of Phase I (the southern portion) of the AHGP (also known as the Prebuild) in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). These facilities, located in southern British Columbia, Alberta and Saskatchewan, were expanded five times between 1985 and 1998 under the authority of the Act. The current flow capacity of the Prebuild is approximately 94.5 million cubic metres per day (3.3 billion cubic feet per day).

Phase II (the northern portion) of the AHGP would link the Prebuild with U.S. natural gas reserves at Prudhoe Bay in Alaska. Economic conditions since 1982 have led to several delays in the completion of the AHGP and fluctuating activity levels for the Agency. Prior to commencing construction of this section of the pipeline, Foothills/TransCanada is required to obtain a comprehensive series of specific approvals from the Agency as set out under the Act. These approvals relate to socio-economic and environmental requirements, routing, technical and engineering design and other matters, such as the demonstration of project financing.

The Agency is also responsible for the administration of the Canada and Foothills easement agreement which was entered into on November 24, 1983. Pursuant to the decision under the Act, a grant of easement was issued by Order in Council on November 28, 1983. The easement follows the Alaska Highway from the Yukon-Alaska border near Beaver Creek, Yukon, to the Yukon-British Columbia border near Watson Lake, Yukon. The easement agreement allows Foothills/TransCanada to conduct investigative work on easement lands; however, the company requires the approval of the minister responsible for the Agency before it can begin pipeline construction. Unless the term is once again amended, the agreement will expire on September 20, 2022. In addition to the easement, the Agency holds approximately 220 reserves of land along the pipeline route that could be used to support the construction and operation of the pipeline system.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act. During this time of reduced activities, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public. The future of the northern portion of the AHGP continues to rest with its proponents and the commercial marketplace.

Strategic Outcome(s) and Program Alignment Architecture

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program: Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Internal Services

Organizational Priorities

Priority: To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level while continuing to fulfill Canada's ongoing obligations as set out in the Act.

Description: Effectively administer the Act and maintain the state of federal readiness should Foothills/TransCanada proceed with the northern portion of the AHGP project.

Priority Type¹: Ongoing

Key Supporting Initiatives

Planned Initiatives	Start Date	End Date	Link to Department's Program Alignment Architecture
Maintain minimal organization to fulfil Canada's ongoing	April 2016	To be determined	Oversee and regulate the planning and construction of the Canadian portion of the Alaska

¹ Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **new**—newly committed to in the reporting year of the Report on Plans and Priorities or the Departmental Performance Report.

obligations as set out in the Act.			Highway Natural Gas Pipeline Project.
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For more information on organizational priorities, see the Minister's mandate letter on the Prime Minister of Canada's website.ⁱⁱ

Risk Analysis

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
The Agency needs to be able to manage its ongoing core responsibilities and be in a position to adjust quickly should the proponent receive a clear positive response from the marketplace, and Phase II work is resumed.	The Agency will continue to maintain a minimum level of resources to fulfil ongoing responsibilities until such time as Foothills/TransCanada resumes the project or that Agency actions or federal decisions are needed.	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

In 2008, TransCanada, which now owns Foothills, was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to \$500 (USD) million in State assistance to pursue an Alaska gas pipeline, which included the construction of the northern portion of the AHGP. Between 2009 and early 2012, TransCanada carried out an extensive level of field programs and examinations along the pipeline route, with the intention to submit regulatory filings with the Agency in late 2012. On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they were working together on a plan to assess liquefied natural gas exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. In May 2012, TransCanada notified the Agency that no regulatory filings were planned on the AHGP for now, and of their intentions to maintain the AHGP project assets in Canada.

The challenge before the Agency is to preserve the progress and outcomes achieved in recent years to deliver an efficient and effective regulatory review framework of updated environmental, socio-economic and technical information which takes into account changes since the Act came into force and the pipeline was certificated in the late 1970s. Failure to be positioned for timely preparations, should the project be resumed, could jeopardize the Government of Canada's performance of its responsibilities under the Act.

Planned Expenditures

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
751,835	751,835	1,922,310	1,922,310

Human Resources (Full-Time Equivalents (FTEs))

2016-17	2017-18	2018-19
4	4	4

Budgetary Planning Summary for Strategic Outcome(s) and Program(s) (dollars)

Strategic Outcome(s), Program(s) and Internal Services	2013-14 Expenditures	2014-15 Expenditures	2015-16 Forecast Spending	2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
Strategic Outcome : The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.							
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	1,172,624	516,310	450,291	751,835	751,835	1,922,310	1,922,310
Subtotal	1,172,624	516,310	450,291	751,835	751,835	1,922,310	1,922,310
Internal Services Subtotal	0	0	0	0	0	0	0
Total	1,172,624	516,310	450,291	751,835	751,835	1,922,310	1,922,310

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act. The increased planned expenditure level for 2017-18 reflects the increased funding allocated to the Agency as a result of the 2011 federal budget when Phase II (the northern portion) of the project was being advanced by Foothills/TransCanada. The planned spending in 2017-18 will be re-assessed in 2016-17 and adjusted as necessary.

Alignment of Spending with the Whole-of-Government Framework

Alignment of 2016-17 Planned Spending with the Whole-of-Government Framework ⁱⁱⁱ (dollars)

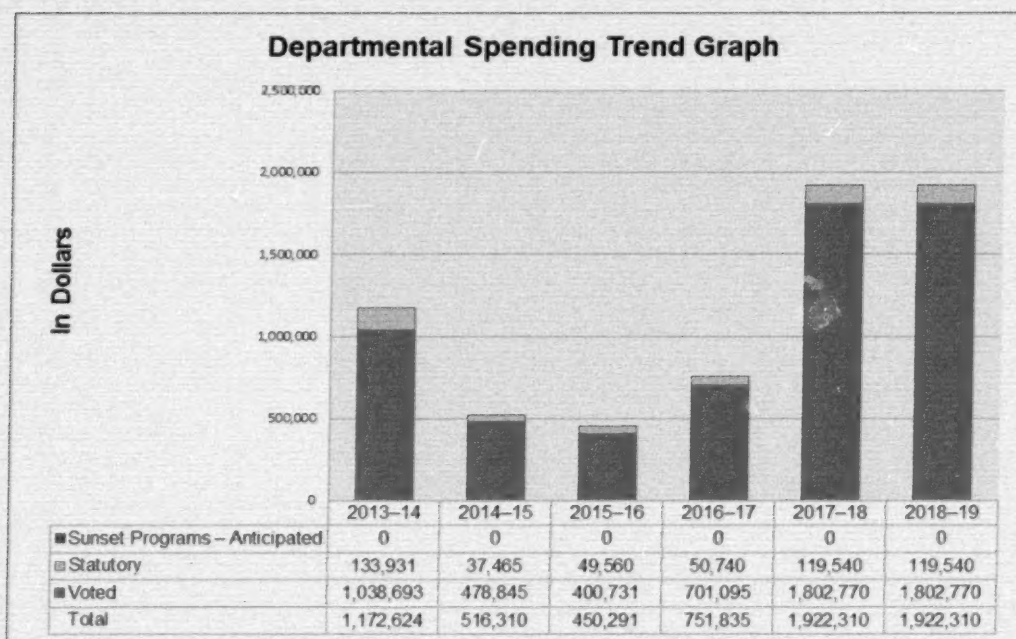
Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2016-17 Planned Spending
The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	Economic Affairs	Strong economic growth	751,835

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending
Economic Affairs	751,835
Social Affairs	0
International Affairs	0
Government Affairs	0

Departmental Spending Trend

Departmental Spending Trend Graph



To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act. The increased planned expenditure level for 2017-18 reflects the increased funding allocated to the Agency as a result of the 2011 federal budget when Phase II (the northern portion) of the project was being advanced by Foothills/TransCanada. The planned spending for 2017-18 will be re-assessed in 2016-17 and adjusted as necessary.

Estimates by Vote

For information on the NPA's organizational appropriations, consult the 2016-17 Main Estimates.^{iv}

Section II: Analysis of Program(s) by Strategic Outcome

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Performance Measurement

Performance Indicator	Target	Date to be Achieved
The Agency will respond to company and public correspondence within 15 business days of receipt.	80%	Annual basis

Program:

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Description:

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
751,835	751,835	1,922,310	1,922,310

Human Resources (FTEs)

2016-17	2017-18	2018-19
4	4	4

Performance Measurement

Performance Measurement

Expected Results	Performance Indicator	Target	Date to Be Achieved
The Agency will maintain the appropriate minimum level of preparation activities for a regulatory framework, so as to remain prepared to ramp up quickly to effectively regulate and facilitate the planning and construction of the pipeline should the project proceed.	The Agency will respond to company and public correspondence within 15 business days of receipt.	80%	Annual basis

Planning Highlights

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act. During this time of reduced activities, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public.

Internal Services

Description:

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
0	0	0	0

Human Resources (FTEs)

2016-17	2017-18	2018-19
0	0	0

Planning Highlights

The Agency has a single strategic outcome and a single program. As a small and separate federal entity, the Agency has a service agreement with Natural Resources Canada and expenditures for internal services through this agreement are recorded as program spending.

Section III: Supplementary Information

Future-Oriented Condensed Statement of Operations

The Future-Oriented Condensed Statement of Operations provides a general overview of the NPA's operations. The forecast of financial information on expenses and revenues is prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the Future-Oriented Condensed Statement of Operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Report on Plans and Priorities are prepared on an expenditure basis, amounts may differ.

A more detailed Future-Oriented Statement of Operations and associated notes, including a reconciliation of the net cost of operations to the requested authorities, can be found on the *NPA's website*^v.

Future-Oriented Condensed Statement of Operations For the Year Ended March 31 (dollars)

Financial information	2016 Forecast Results	2017 Planned Results	Difference (2017 Planned Results minus 2016 Forecast Results)
Total expenses	456,358	756,977	300,619
Total net revenues	0	0	0
Net cost of operations before government funding and transfers	456,358	756,977	300,619

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations while continuing to fulfill Canada's ongoing obligations as set out in the Act. During this time of reduced activities, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public.

Supplementary Information Tables

The supplementary information table listed in the 2016-17 Report on Plans and Priorities is available on the *NPA's website*^v:

- Disclosure of Transfer Payment Programs Under \$5 Million.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*^{vi} publication. The tax measures presented in that publication are the responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner, appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act.

The Agency's contact information is as follows:

Mailing Address:
Northern Pipeline Agency
470 - 588 Booth Street
Ottawa, ON K1A 0Y7

Telephone: (613) 995-1150

Email: info@npa-apn.gc.ca

Appendix: Definitions

Appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Statutory expenditures: Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

- i. Northern Pipeline Act, <http://laws-lois.justice.gc.ca/eng/acts/N-26/index.html>
- ii. Prime Minister of Canada's website, <http://pm.gc.ca/eng/ministerial-mandate-letters>
- iii. Whole-of-Government-Framework, <http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx>
- iv. 2016-17 Main Estimates, <http://www.tbs-sct.gc.ca/ems-sgd/esp-pbc/me-bpd-eng.asp>
- v. Northern Pipeline Agency Website, <http://npa-apn.gc.ca>
- vi. Tax Expenditures and Evaluations publication, <http://www.fin.gc.ca/purl/taxexp-eng.asp>